

## Message Text

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11

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

COME-00 EB-07 LAB-04 SIL-01 /068 W

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P R 130945Z FEB 75

FM AMCONSUL NAPLES

TO SECSTATE WASHDC PRIORITY 4251

INFO AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: EINV, IT

SUBJECT: U.S. SUBSIDIARIES IN NAPLES

REF: STATE 031251

1. I APPRECIATE DEPARTMENT'S WILLINGNESS TO CONSIDER RECOMMENDATIONS FOR ACTIONS AT WASHINGTON LEVEL, IN CONNECTION WITH CURRENT DIFFICULTIES OF AMERICAN SUBSIDIARIES IN NAPLES AREA. ALTHOUGH SUBSIDIARIES' HEADQUARTERS HAVE SEEMINGLY MOVED, AND CONTINUE TO MOVE

, MORE SLOWLY THAN LOCAL SITUATION WARRANTS, I WOULD NOT REPEAT NOT PROPOSE, AT THISTIME, ANY APPROACHES TO ANY OF THE FIRMS INVOLVED PRESSING FOR A PARTICULAR COURSE OF ACTION. I WOULD, HOWEVER, RECOMMEND THAT DEPARTMENT CONSIDER APPROPRIATE MEANS TO UNDERLINE WITH HEADQUARTERS OF THREE PRINCIPAL SUBSIDIARIES NOW INVOLVED

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(GENERAL INSTRUMENTS, RICHARDSON-MERRELL, AND SPERRY RAND) THE DESIRABILITY OF TAKING FULLY INTO ACCOUNT THE ENVIRONMENT IN NAPLES AREA AT PRESENT. SUCH ACTION SHOULD SERVE TO REINFORCE MY JAN. 31 CAUTIONING OF THE LOCAL MANAGERS HERE AND, HOPEFULLY, INDIRECTLY TO STRENGTHEN WITH THE RESPECTIVE HEADQUARTERS, THE CREDIBILITY OF THE LOCAL MANAGERS' RECOMMENDATIONS REGARDING NEED TO ACCOMMODATE LIMITED OFFICIAL USE

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TO THE NAPLES POLITICAL AND ECONOMIC CLIMATE. I WOULD FURTHER

RECOMMEND THAT ANY ACTION TO CONTACT FIRMS, PARTICULARLY RICHARDSON-MERRELL AND SPERRY RAND, BE TAKEN AS SOON AS PRACTICABLE, BECAUSE IMPORTANT HEADQUARTERS DECISIONS ARE LIKELY TO BE MADE IN NEXT SEVERAL DAYS.

2. EXPRESSED ATTITUDES OF LOCAL POLITICAL AND LABOR LEADERS MUST, EVEN IN BEST OF CIRCUMSTANCES, RECOGNIZE AS PRIMARY OBJECTIVES THE PRESERVATION OF EXISTING INDUSTRIAL JOBS AND THEIR EXPANSION THROUGH THE DEVELOPMENT OF THE MEZZOGIORNO. IN PERIOD OF ECONOMIC DIFFICULTY

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AS AT PRESENT, WITH ADDED INCENTIVE OF LATE SPRING REGIONAL ELECTIONS

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CHAMPIONING OF CAUSE OF JOB PROTECTION BECOMES PRACTICAL NECESSITY FOR ALL POLITICAL FIGURES.

3. WITHIN LABOR MOVEMENT, THESE OBJECTIVES NECESSARILY HAVE EVEN GREATER PRIORITY. IN ADDITION, LABOR ATTITUDES COMPLICATED BY

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ITALIAN SYSTEM OF DUAL REPRESENTATION OF WORKERS, IN WHICH FACTORY COUNCILS AND UNIONS VIE FOR LEADERSHIP AND CONTROL OF DEVELOPING INDUSTRIAL DISPUTES. PRESENCE OF EXTRA-PARLIAMENTARY ELEMENTS, WITHIN FACTORIES AND OUTSIDE, EAGER TO EXPLOIT AND RADICALIZE SUCH DISPUTES, SERVES AS FURTHER CHECK TO UNION MODERATION, REGARDLESS OF DEGREE OF RESPONSIBILITY OF UNION LEADERS AND ORGANIZATIONS.

4. RESULT OF ABOVE IS THAT WE CAN EXPECT TO ENCOUNTER UNSYMPATHETIC ATTITUDES FROM POLITICIANS, LOCAL AUTHORITIES AND UNION LEADERSHIPS, AS LONG AS U.S. FIRMS REMAIN CONSPICUOUSLY OUT IN FRONT OF AREA'S ITALIAN AND FEW NON-AMERICAN FOREIGN-OWNED FIRMS. AT PRESENT, GENERAL INSTRUMENT REMAINS ONLY AREA FIRM TO DISMISS SUBSTANTIAL NUMBER OF EMPLOYEES AND I AM UNAWARE OF SERIOUS CONSIDERATION BEING GIVEN BY FIRMS, OTHER THAN AMERICAN, TO SUCH ACTION IN THE NEAR FUTURE, ALTHOUGH MY INFORMATION IS, PERFORCE, LIMITED. THIS IS NOT TO SAY THAT ITALIAN FIRMS ARE NOT TAKING REMEDIAL ACTION IN FACE OF DIFFICULTIES, BUT RATHER THAT THEY CHOOSING LAY-OFFS (WITH WAGE SUPPLEMENT FUND PAYMENTS) AND OTHER LESS HIGHLY VISIBLE MEANS TO MEET PROBLEM -- FREQUENTLY IN AGREEMENT WITH UNIONS.

5. ANTI-AMERICANISM INHERENT IN CURRENT SITUATION HAS NOT YET TAKEN SHARP FOCUS. SERVRITE LIQUIDATION AND OCCUPATION HAS THUS FAR

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RECEIVED SCANT PUBLICITY AND HAS NOT BEEN SPECIFICALLY LINKED TO GENERAL INSTRUMENT'S ACTION. HOWEVER, IN EVENT THAT RICHARDSON-MERRELL, SPERRY SUD, OR OTHERS YET UNIDENTIFIED, FOLLOW SUIT, CERTAIN LARGELY DORMANT SOUTHERN ITALIAN CONCERNS REGARDING AMERICAN MULTI-NATIONALS CAN BE EXPECTED TO GROW RAPIDLY, INCLUDING BELIEFS: (A)

THAT FIRMS, HAVING REAPED PROFITS IN GOOD YEARS, ARE NOW RUNNING OUT WHEN ECONOMY IN CRISIS; (B) THAT FIRMS INSENSITIVE TO DEVELOPMENT ASPIRATIONS OF SOUTHERN ITALY (IN THIS SENSE, DOWNGRADING OF RICHARDSON-MERRELL'S RESEARCH FACILITY ALREADY BECOMING FOCAL POINT FOR CRITICISM AND AGITATION) AND TO PERSONAL PLIGHT OF DISMISSED WORKERS, WHO HAVE SLIM HOPES OF OBTAINING OTHER EMPLOYMENT; AND, (C) THAT FIRMS ONLY NOMINALLY ITALIAN CORPORATIONS, AS MANAGERMENTS MUST ALWAYS REFER QUESTION TO US FOR DECISION (AN ELEMENT ALREADY FRUSTRATING TO LOCAL AUTHORITIES AND UNIONS). 6. BY EXTENTION, THERE IS DANGER THAT U.S. GOVERNMENT MAY ALSO BE ACCUSED OF SAME SINS OF ABANDONMENT OF MEZZOGIORNO, INSENSITIVITY TO ASPIRATIONS OF REGION AND ITS PEOPLE, AND BUCK-PASSING (BECAUSE OF PROFESSED INABILITY TO INFLUENCE FIRMS). AT MOMENT WHEN USG HAS OTHER AND MORE VITAL INTERESTS AT STAKE (I.E., IN SPITE OF SHARPLY INCREASED NUMBER OF SIXTH FLEET SHIP VISITS TO NAPLES DURING

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LAST SIX MONTHS, WE HAVE BEEN FORTUNATE, UNTIL NOW, TO HAVE HAD NO INCIDENTS OR ADVERSE REACTION), THESE INTERESTS MAY WELL BECOME INVOLVED -- AND PREJUDICED -- IN THE EXTENTION OF THE AMERICAN SUBSIDIARIES' PROBLEMS. HOROWITZ

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